

Realty Stock Review

October 5, 1984 (Priced Oct. 3)

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MARKET STRATEGY; THIRST FOR EQUITIES RETURNS AS PROPERTY OWNERS LEAD RALLY

Property REITs and income property owners shone the past fortnight as the general market tumbled. Check the Group Action Summary on page 8: Income property owners and builders rose 1.6% and Property REITs rose 1.4% while the Dow-Jones Industrials sank 3.5%. All realty stocks sank 0.2% in the period, soggy but still outperforming the DJI.

This renewed thirst for equities means that one of two forecasts are dominating investor thinking: either (A) they believe inflation will heat up and interest rates will rise, or (B) they believe that rates will fall, inflation cool, and thus existing ownership of well financed and seasoned property will provide good long-term rewards. Obviously the two forecasts are direct opposites, but you don't have to adopt either one dogmatically, because both point to the virtue of holding seasoned property stocks at this cycle stage.

Your editor took part in a roundtable with three other Wall Street analysts this past week and was surprised to find that two of the other three are looking for lower interest rates. This contrasts dramatically with the widely held view among many economists but may represent the input many investors are

getting from stock analysts (as opposed to economists). (The full transcript of the roundtable will be published Oct. 15 and we'll have copies in 2-4 weeks after that; send a self-addressed stamped (37¢) envelope and we'll provide a copy when available).

If moderately lower rates are ahead, then it pays to take a long look at the mortgage trusts. We review six this issue in both the Mortgage and Mortgage & Equity Combination groups and are upgrading three (**MassMutual Mtg.**, **MONY Mtg.** and **Wells Fargo Mtg.**) to long-term buys. Both MML and WFM are making impressive headway in expanding their property holdings and MML is not far away from becoming a full combination trust. While EPS and dividend growth by many of these trusts lags that of the property trusts, their much higher payout means that investors can get satisfactory and fairly well assured overall return from these stocks. Our table of overall returns on P. 2 should help.

Current Value. Hotel Investors has joined the list of stocks disclosing an internal estimate of current value of net assets to investors. HOT posted an appraised value of \$36.45/sh. at end of its Aug. 1984 fiscal year, so that at \$26.50 HOT sells at 73% (or a 27% discount) of appraised value. HOT is one of RSR's Asset Play Stocks.

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KENNETH D. CAMPBELL, PRESIDENT/FAYE KREISMAN, STATISTICS/AUDIT INVESTMENTS, INC., 230 PARK AVE., N.Y. 10169

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RANKING REVIEWS: FIVE COMBINATION AND MORTGAGE TRUSTS SHOW GOOD OVERALL RETURN

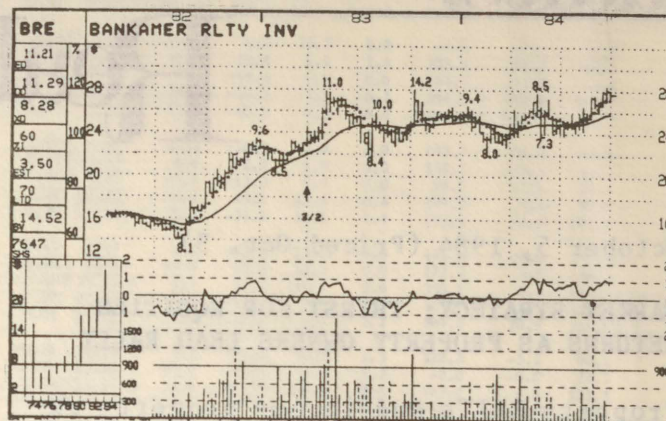
Mortgage REITs are showing new life and some are expanding equity holdings so they will evolve into trusts combining mortgages and properties. Trusts that follow this mix-and-match realty investment strategy are showing impressive results. We review six trusts in this category this issue and find that investors can pick between varying growth rates and yields to produce overall returns in the 12% - 19% range. Here is our tally of five with positive earnings over the past five years:

	5-Yr. Growth	Div. Yield	Overall Return
BankAm. RL...	11.3%	7.8%	19.1%
Lomas&Net...	7.8	11.3	19.1
MassMutual...	1.0	11.2	12.2
MONY Mtg....	4.1	10.1	14.2
Wells Fargo.	5.5	11.7	17.2

We've used growth rates in operating EPS in compiling this table, because EPS and dividend growth will be the same for qualified REITs over the longer term. One exception: we've used a four-year growth rate for BankAmerica Realty and eliminated an unusually low base year in 1980. The table dramatizes the fact that even low growth rates coupled with higher dividend yields can provide satisfactory (and reasonably assured) overall returns.

But there's even more to the story as some pure mortgage trusts such as MONY Mortgage and MassMutual Mortgage begin shifting mix toward becoming combination REITs. Reviews:

BankAmerica Realty Investors is regarded as a property trust although 37% of investments are equity-related mortgages vs. only 3% mortgages without equity features. BRE combines equity investments with mortgages in two ways so it can in effect control a property, tying first mortgages with either its land/leasebacks or joint ventures so that the mortgage is part of a larger equity commitment. It also lends with purchase options to give it flexibility should property management turn sour. Taken together this style has let BRE



deal quickly with the inevitable adversities.

BRE holds A Rank in our review because of good earnings and dividend gains, strong balance sheet with lower leverage, and seasoned management. BRE earned \$2.15/sh. from operations, up 3%, in its July 1984 year, and operating funds available for distribution rose 7% to \$2.05/sh. Operating funds have risen at 7.3% annually over the past four years after a sharp recovery from a depressed 1980. Dividends have risen at 11.3% over that span (7.7% capital gain in 1984). BRE earned \$1.46/sh. from sale of investments and added 12¢ to the loss reserve for \$3.49/sh. (\$3.33 diluted) net income.

Assets. BRE holdings of \$188.8 mil. are 45.5% wholly owned properties; 14% land leased to others and 26% mortgages to such leasees; 0.5% partnerships and 6% mortgages to partners; 5% mortgages with purchase options; and 3% other mortgages. Assets at appraised value are 34% apartments (but only 15% at cost); 29% shopping center; 15% industrial; 11% hotel; 9% office. Wholly owned properties include three shopping centers with 720,000 sq. ft. at cost of \$40.65/SF; two apartments with 568 DU at \$18,280/DU cost; and 11 office/research buildings with 770,000 SF at \$60.16/SF cost. Largest wholly owned property is 504,000 SF Hub shopping center in Fremont, Cal., being upgraded and expanded by 64,000 net SF. In 1984 BRE swapped tax-free a 242 DU apartment which cost \$3.0 mil. (\$12,600/DU) for \$10.2 mil. (\$42,150/DU) after obtaining condo conversion approvals; the gain was 90¢ sh. and gave BRE ownership of a 234,000 SF distribution center. BRE still owns an

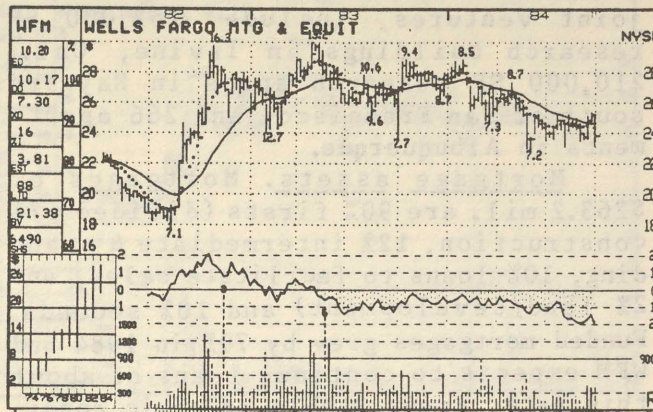
adjoining 272 DU apartment with \$3.1 mil. cost. A second tax-free exchange in 1984 added 15¢ sh. and gave BRE ownership of 71,000 SF office/research space in Silicon Valley.

Land leasebacks appear to have similar potential. During 1984 BRE sold land beneath its Fashion Square shopping center in Santa Ana, Cal. for 41¢ sh. gain, and received \$2.3 mil. partial repayment of an 8.75% loan due 2014. Largest investments in this category include land beneath the 2,938 DU Country Club Apts. outside San Francisco and \$17 mil. mortgage and land position in the Hilton Hotel and office complex in Pasadena, Cal. Leasebacks returned 29.0% on investment in 1984, up from 24.7%, and \$49.2 mil. related mortgages yielded 10.6%. BRE's \$895,000 investment in three partnerships returned 42% while \$11.1 mil. related mortgages yielded 9.1%.

Current value. BRE reports that independent appraisers concur with management estimates that current value of equity is \$31.50/sh. fully diluted, up 10.5% for the year. Current value has grown at 5.2% annually the past five years. Appraisers valued income properties using capitalization rates from 8.5% to 11.5%, and did not value apartments at condo value unless conversion approvals had been obtained.

Finances and outlook. BRE debt of \$72.4 mil. is 0.6 times shareholders equity at historic cost and 0.3 times equity at market value. BRE has no short-term debt and \$16 mil. is long-term mortgages; the remainder is debentures convertible into 1.8 mil. additional shares. Cash & equivalents equal \$1.82/sh. The dividend was recently raised to \$2.20 annual rate, bespeaking confidence in performance of underlying properties. Shs. have been strong recent performers (see chart) and at \$28 are worth accumulating on dips for longer-term investment.

Wells Fargo Mtg. & Equity Trust blends mortgages and properties in quite a different way: it makes a significant volume of short-term construction and development mortgages financed almost fully from short-term bank loans and commercial paper, and then invests its



net equity into diversified properties and joint ventures. Investments of \$393.8 mil. at June 1984 were two-thirds (67%) mortgages and one-third equities.

WFM holds A Rank by increasing operating funds available for distribution, and by maintaining good liquidity while lending in a difficult climate. Operating income of \$1.98/sh. rose 33% and operating funds available for distribution rose 18% to \$2.49/sh. Operating funds for distribution have risen at 5.5% annually the past five years. Gains on property sales of 59¢ sh. in 1984, off 48%, brought full year net to \$2.57/sh. Dividends continued at the \$2.80¢ sh. level for the second year running, meaning they weren't fully covered by operating income or distributable cash flow. We've fretted in the past about this lack of coverage but operating cash flow covered the dividend in the June qtr., first time in three years. We view this as most favorable and doubt the market is recognizing this operating improvement.

Property Assets. WFM's \$130.6 mil. property investments are 71% wholly owned properties, 18% net share of partnerships and joint ventures, 10% equity participation mortgages, and 0.4% foreclosed property. Wholly owned and partnership properties are 46% office, 36% industrial, 9% shopping center, 4% land leasebacks, 3% apartments, 2% land. Apartments have been declining and it's unlikely any will be added except in joint ventures. Wholly owned properties are mainly in the West with 28% Calif., 26.5% Tex., 19% Col., 12.5% Ariz. Largest owned property is a 187,000 sq. ft. Houston office which was only 75% leased at year-end. New projects, all in 50%

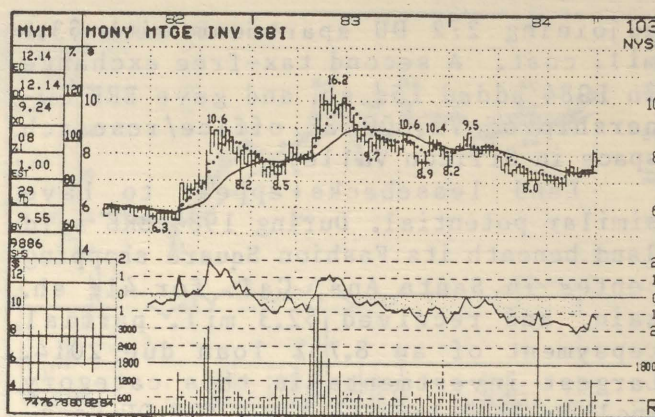
joint ventures, include 252,000 SF research buildings in Irvine, Cal.; 210,000 SF research space in Hayward south of San Francisco; and 266 apartments in Albuquerque.

Mortgage assets. Mortgages of \$263.2 mil. are 90% firsts (divided 67% construction, 12% intermediate & standing, 10% loans to facilitate sales, and 2% land/development) and 10% seconds. Funded mortgages grew by 70% in 1984 and WFM expects to continue loans at about this rate, given stable economic conditions. WFM had \$199.5 mil. of loan repayments in 1984, or 129% of beginning balances, indicating a high degree of liquidity. Nonearning investments were cut to below 1% of assets, lowest level in a decade. WFM took some lumps in the mid-1970s and believes it is now able to underwrite loans with more sophistication and thus avoid big problems.

Finances. Debt of \$234.5 mil. is 1.7 times equity at historic cost and 1.15 times equity at market value. Debt is 55% commercial paper, 21% floating rate extendible notes, and 24% fixed rate convertibles, mortgages and notes. Since the bulk of mortgages float with prime, WFM hasn't been hurt by interest fluctuations and could widen spread if rates fall near-term.

Current value and outlook. WFM has outside appraisers value its properties (not its mortgages) and they put current net asset value at \$30.31/sh., up 2% on a 35% increase in shares outstanding. Cap rates generally were 8.5% to 10%. WFM will report a 10¢ sh. sale gain in the Sept. qtr. and we'd expect operating cash flow to improve, absent an upside runaway of the prime rate. Dividends were tax-advantaged with 41% capital gains and 4% return of capital in 1980. Management is seasoned and has advantage of relationship to a large West Coast bank with a solid lending record. Shs. at \$24 are upgraded to a long-term buy.

MONEY Mortgage Investors is following a scenario much like WFM in boosting short-term construction and intermediate term lending (now 52% of assets) to generate earnings that may make entry into equities easier. MYM still holds a good portion (36%) of its \$244 mil. invested assets in fixed rate long- and



intermediate term-mortgages but the proportion is down from 47% a year ago, thanks to an 86% spurt in construction lending.

MYM holds B Rank because EPS and dividends have fluctuated over the past five years, even tho May 1984 year operating EPS of 94¢ sh. rose 15%. Operating EPS before special items have risen at 4.1% annually over the past five years. In 1984 a property write-down was not fully offset by property sale gains for a negative 5¢ sh., dragging full-year net to 89¢ sh.; a year ago net special items added 2¢ sh. Dividends held at 80¢ for the second year.

Assets. Overall invested assets of \$244 mil. are 88.5% mortgages, including the above-mentioned long-term and short-term loans. About \$116.2 mil. loans or 48% of assets now float with money market rates, and are 34% (\$40 mil.) construction loans, the rest standing loans on completed property. The remaining \$99.8 mil. loans are fixed-rate, both long and short. Its \$88.7 mil. fixed-rate long-term loans earn 10% and have an average life of 9.7 years; thus MYM projects getting \$24.6 mil. or 28% repaid in the next five years. All loans are accruing interest although one has been restructured.

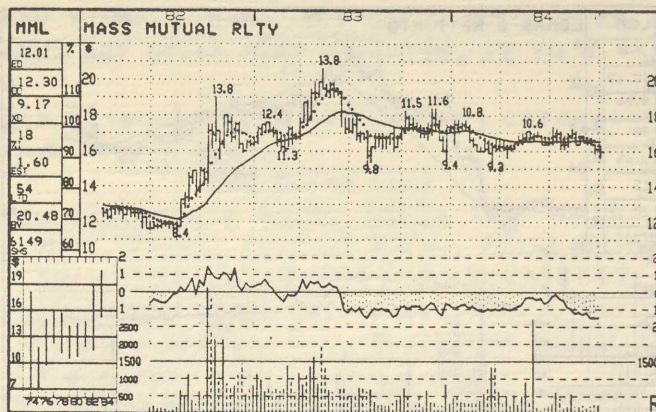
Properties. MYM holds \$27.8 mil. (11%) of investment properties and one small foreclosed land parcel. Two major properties carried at \$14.2 mil. (51% of properties, 6% of assets) didn't contribute income: (A) an 82,000 SF Wilton, CT office, acquired last year in foreclosure, now completed and 7% leased; and (B) a Yaphank, N.Y. land parcel, written down by \$1.3 mil. in 1984. Other equities are 97% occupied.

Finances, results & outlook. MYM debt of \$150.6 mil. at May '84 was 1.6 times \$95.2 mil. equity. Debt is 81% commercial paper, 13% intermediate term note of \$20 mil., half of which was replaced with commercial paper last month. With about \$116 mil. floating rate loans, MYM is very moderately exposed to interest rate swings. But with stock at \$7.88 selling at about 82% of \$9.59 book value, raising new equity is difficult. August qtr. EPS of 23¢ sh. were up 15% and largely reflected a higher volume of commitment fees and interest on the higher construction lending. If construction lending remains profitable in a stable economy, we'd see MYM being forced to raise the dividend in the next few quarters. Also, there's talk about boosting equity. Despite the slow growth and all the warts, shares are upgraded to a L-T buy.

MassMutual Mtg. & Realty Inv. hopes to boost its property ownership by renewed aggressiveness in its joint ventures and by incenting holders of long-term fixed-rate mortgages to either repay loans or recast them as equity situations. MML hopes to use the funds so generated to pay down short-term debt and reduce exposure to rate swings.

We're holding MML at B Rank based upon third (July) qtr. results and projections. MML earned \$1.16/sh. in the July 9 mon., down 2.5%, and funds available for distribution were \$1.28/sh., down 4%. We see about \$1.70 funds for the Oct. fiscal year, down 4%. Funds available for distribution (which include depreciation and debt discount amortization) have risen at only about 1% annually the past five years. The dividend was boosted to a \$1.80 annual rate a year ago but since operating funds haven't covered the payout for over nearly two years, something clearly has to be done to break out of the box.

Assets. MML's \$190.9 mil. invested assets are 65.5% mortgages and 34.5% equity-type investments. Nearly all mortgages (62%) are long-term fixed-rate first mortgages earning about 9.5%. MML will continue to work these loans to secure either prepayments, refunding at higher rates, or conversion to equity situations. Last year it got \$8 mil. of

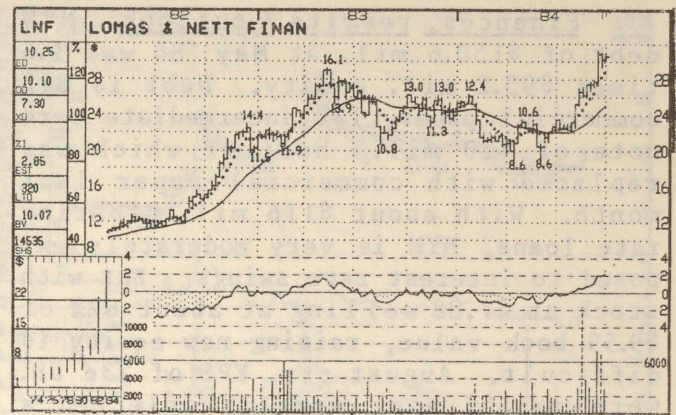
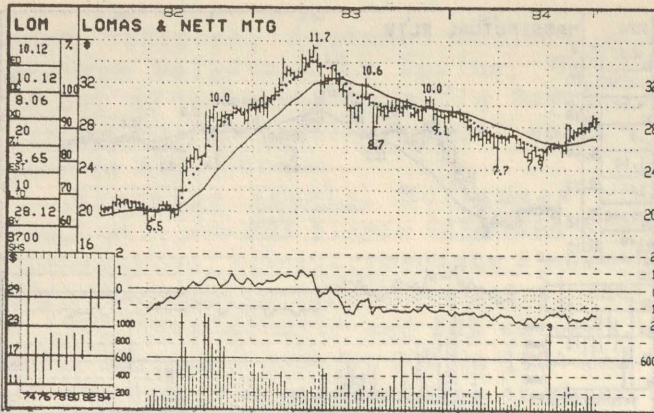


prepayments and balances are down another 7.6% (\$9.7 mil.) thru July. MML has succeeded in getting another \$5 mil. loan repayment in the Oct. qtr. for 3.5¢ sh. gain. While there's no magic way to make these low-yielding loans vanish, constant working should aid results.

To help break out, MML is beginning a \$75 mil. construction lending program on institutional grade properties. Average fundings of \$50 mil. are sought. Loans would be originated by MML's life insurance adviser and funded with short-term borrowings.

MML also hopes to nearly double its equity holdings from \$65.8 mil. to over \$100 mil. via a \$50 mil. joint venture program. MML already owns \$17.1 mil. income properties directly: two offices with 191,000 SF and a 130,000 SF Alabama shopping center (two major tenants have vacated but still pay rent). Over the past two years, MML has funded \$48.7 mil. (about half as equity, half as long- and short-term loans) into ten joint ventures. Seven of the nine completed ventures have done well but two Calif. shopping centers of 200,000 SF have encountered tough retail markets and the anchor tenant in one has filed bankruptcy. MML plans to be super-selective in picking projects and will stress third-party mortgage financing if at all possible. As in the past MML will seek a preferred return during a project's rent-up phase.

Finances & outlook. Right now MML is moderately exposed to any interest rate upswing with \$19.4 mil. short-term loans out against a largely fixed-rate portfolio. Total debt of \$73 mil. face is 0.6 times \$119.4 mil. net equity after unamortized debt discounts. Re-



maining debt is fixed rate, altho \$10 mil. term loans mature in 18 mon. The \$35.6 mil. face amount of convertibles are mostly (77%) convertible at \$20 and \$21; the rest at over \$30 per share. Depending upon success of the new joint venture initiative, the time is not far distant when MML will have half of assets in equities. Shares have been stalled in the mid-teens for years and could be real sleepers providing good yield plus potential; now a buy at \$16.

Lomas & Nettleton Mortgage Investors is a straight mortgage trust, no aspirations to move into equities. As such it's a straight yield and leverage vehicle, which it has combined to produce moderate EPS growth over the years. LOM holds A Rank for superb control of these operating variables. LOM earned \$3.26/sh. in its June 1984 year, up 6% on the year and at a 7.8% rate over the last five years. LOM pays 100% of EPS as dividends.

Assets. LOM holds a portfolio of \$307 mil. divided 93.5% earning mortgages, 2.1% nonearning mortgages, 0.4% lease receivables, and 4% advances for foreclosed properties. By mortgage type, loans are 53% first mortgage construction, 19% land acquisition and development, 16% other, 2% seconds, and 6% first mortgage permanent loans. Loans are geographically diverse with 41% in Texas (where the sponsor is based) and 11% in Fla., next largest state holding. About half of construction loans are for single-family homes, another one-third for apartments. This gives LOM sensitivity to residential construction. LOM spreads risk by lending to a diversified list of builders

and construction loans average \$381,000; land loans aren't much larger at \$600,000 average. Nonearning loans and foreclosures are 4.6% of invested assets, down from 5.9% a year ago. Liquidity has been excellent and repayments were 109% of beginning balances in 1984, unchanged.

Finances & outlook. Total debt of \$206.7 mil. is 1.98 times equity, up from a 1.65 leverage in 1983. Debt at year-end has average 11.4% average cost, vs. 14.8% weighted average loan yield. We expect this 3.4% positive spread to widen a bit in 1985, although a surge in interest rates could hurt LOM EPS. LOM management projects a 10% EPS gain if rates remain stable. Shs. remain a longer-term hold/buy for yield.

Realty Income Trust holds C Rank because its position remains unexciting even tho operating profits doubled to 52¢ sh. in its April 1984 year. RIT has been suffering from enormous negative leverage for years and has gradually narrowed losses while selling assets to repay bank debt. Gains on early debt retirement via debenture repurchase added 20¢ and asset sales added 22¢, for 94¢ sh. total EPS, first in five years. No dividend has been paid since 1981. **Assets.** RIT has cut assets to \$30.1 mil. divided 80% mortgages, 19% real estate investments, mainly land leasebacks, and 1% foreclosures. Land and leasebacks generally have very long terms but are often repaid when building owners want to expand or improve. Mortgages of \$24.2 mil. are 69% first, 31% seconds. About 26% mature the next two years. **Debt.** RIT has cut bank debt to \$4.2 mil. now and while moderately exposed to

higher rates, looks for profits in 1985. Shs. are over 50% controlled by an affiliate of B.F. Saul. While shs. at \$6.63 sell at 71% of \$9.32 book value, they're inactive and for longer-term recovery.

Lomas & Nettleton Financial Corp. holds A Rank by continuing its EPS and dividend growth as the nation's largest mortgage banker. LNF (which is not a REIT) has a 20.2% EPS growth over the past five years, which combines with a 3.9% dividend to produce about 24% overall return. LNF netted \$2.35/sh. (\$2.09 diluted) in its June 1984 year, up 23% primary (16% diluted). LNF upped its dividend 16% to a \$1.16 annual rate in the closing quarter.

Operations. LNF services \$18.25 bil. mortgages for investors, the servicing portfolio up 2.8% in the year. LNF originated \$2.5 bil. long-term mortgages in 1984, plus another \$718 mil. short-term construction and development loans mainly for its managed REIT, Lomas & Nettleton Mtg. (see p.6). It retained servicing on \$1.95 bil. of the long-term loans (77% of originations) and this, less \$1.5 bil. loan payoffs, produced the servicing portfolio gain. Mortgage origination fees rose 6% to \$26.6 mil. on this loan production. Trading gains on mortgages held before sale to investors fell 83% to \$1.3 mil. but were still a positive 0.08% of production; rising interest rates were blamed. Net interest income during the holding period rose 11% as LNF's borrowing costs averaged 3.7% below the prime rate and 5.8% below average mortgage rates. Loan administration and related fees rose 13.6% to \$106.8 mil. to provide the bulk of revenues. LNF's smaller operations in direct real estate and life insurance both rose, real estate by 43% to \$7 mil. and insurance pretax by 55% to \$5.2 mil.

Finances & outlook. Total debt of \$791 mil. is 4.9 times book equity, and includes \$462 mil. bank notes secured by mortgages held in inventory pending resale. Other debt includes \$206.5 mil. term notes (of which \$100 mil. float at 0.75% over Treasury bills) and \$122.8 mil. subordinated debt (mostly \$109 mil. convertibles at \$24.25). While LNF at \$29.75 sells at a rich 12.6 times EPS, shs. are a strong buy for L-T growth in financial services.

NEW HIGHS & LOWS: NEW HIGHS NUDGE OVER LOWS BUT STILL STAY POSITIVE, 12 TO 8

New 52-week highs and lows by category thru Oct. 4 are:

NEW HIGHS (12)

Gr.1&2-Prop. & Comb. REITs (6): Bank Amer. Rlty., Federal Rlty., First Union, HotelInv., REITofCalif., Wash.REIT.
Gr.6-Income Prop. (5): Amer. Rlty., Bay Fincl., Reading Co., Southland Fincl., Towermarc.

Gr.8-Diversified (1): First Carolina Inv.

NEW LOWS (8)

Gr.F-Finite Life REITs (3): Res.Pension 1, Wespac Inv. 1 and 2.

Gr.5-Other Bldrs. (2): L.B. Nelson, Punta Gorda Isles.

Gr.7-Mtg. Bank. (2): Brokers Mtg., FMI Financial.

Gr.9-Syndi. (1): Equitec Financial.

APPRAISED ASSET VALUE COMPARISONS

QUALIFIED REITS	DATE	APPRAISED % PRICE	
		VALUE/ SHARE	TO APP. VALUE
BANKAMER RLTY	7/84	\$31.50a	88.9%
CALIFORNIA REI#	12/83	\$12.89	93.1%
CLEVETRUST RLTY	9/83	\$24.00b	66.2%
COMMONWLTH RLT#	11/82	\$17.00	50.0%
FIRST UNION RE#	6/84	\$33.44	84.1%
HOTEL INVESTOR#	8/84	\$36.45	72.0%
INTL INCOME PR#	12/83	\$11.79	84.8%
IRT PROPERTY CO#	12/83	\$19.60b	93.8%
JMB REALTY	8/83	\$19.34	95.7%
MORTGAGE GROWTH	11/83	\$18.25b	89.0%
NATL CAPITAL RE	12/83	\$8.29	61.9%
NEW PLAN RL TR#	7/83	\$13.85	85.8%
PROPTY TR AMER#	12/83	\$18.50b	77.0%
REIT AMER INC #	10/83	\$58.03	52.6%
RL EST INV PRP#	12/83	\$18.91	74.7%
SANTA ANITA	12/83	\$23.98	91.2%
SIERRA RE EQ82#	12/83	\$11.20	84.8%
SIERRA RE EQ83#	12/83	\$10.27	91.3%
USP RL EST INV#	12/83	\$15.57	61.0%
WASH RE (WRIT)#	12/83	\$26.50b	79.7%
WELLS FARGO M&E	6/84	\$30.31a	78.8%
WESTERN INV RE#	12/83	\$17.98	87.6%
AVERAGE			79.3%
OPERATING COMPANIES			
BAY FINCL CORP	5/84	\$33.94	67.8%
CARLSBERG CORP	5/83	\$18.78	34.6%
FAIRFIELD COM	2/84	\$18.62	77.2%
KOGER CO #	6/84	\$23.57	96.0%
NEWHALL INV PR#	12/83	\$17.90	67.8%
PERINI INV PR #	6/84	\$15.11	84.4%
ROUSE CO #	12/83	\$40.13	88.5%
SAUL (BF) REIT	9/83	\$20.42	75.3%
SOUTHWEST RLTY#	12/83	\$21.12	69.8%
AVERAGE			73.5%

Appraised market values of net assets (i.e., properties held) are either reported publicly by companies or estimated by RSR (see note b). Values are estimated by management and con-
 -curred in by independent appraisers except for:
 -Koger Co. values set by independent appraisers;
 -New Plan Realty, management estimate only.
 -Share values are fully diluted.
 -a-Entity has not revalued mortgages.
 -b-Estimated by RSR; not confirmed by Trust or Co.

CONVERTIBLE DEBENTURES

STRAIGHT BONDS

DEBENTURE	EX	INT (%)	MAT	MIL \$ OUT	CONV SH(000) AT RESERVD	RECENT PRICE	YIELD (%)	CONV PARITY	STOCK PRICE	ISSUER & DESC.	EX	INT.	MATURITY	MIL \$	PRICE	% YIELD	
AMER CENY'B	NY	6.75	'91	9.81	16.72	586	70.50	9.6	11.78	9.25	AMER CONTNL-A	OC	10.75	8/1/90	125.0	81.50	13.2
ATL METRO	OC	6.75	'91F	7.33	6.79	1079	58.25	11.6	3.95	0.81	AMER PAC-B	PS	16.25	9/30/94	4.3	96.00	16.9
BANKAMER RLT	NY	9.50	'00	2.16	17.44	124	143.00	6.6	24.93	28.00	BAY COLONY PROP-B	PS	8.50	3/15/89	12.3	83.00	10.2
BANKAMER RLY	NY	9.50	'08	50.00	31.00	1612	96.50	9.8	29.91	28.00	CAMPANELLI-B	AS	12.88	7/1/94	14.5	74.88	17.2
CENTIENNIAL	OC	7.00	'86	1.41	16.67	85	83.00	8.4	13.83	1.13	DEV CP AM-C	AS	10.00	3/1/93	5.2	68.00	14.7
CENTIENNIAL*	OC	7.00	'86	1.41	16.67	85	83.00	8.4	13.83	1.75	DEV CP AMER-C	AS	12.00	7/31/94	9.2	74.63	16.1
FED NATL MTG	NY	4.37	'96	27.46	19.63	1399	86.00	5.1	16.88	14.13	FAIRFIELD-C	AS	15.13	2/15/97	20.0	100.00	15.1
FIRST UNION	NY	10.00	'06	24.72	17.33	1426	151.00	6.6	26.16	28.13	FPA CORP-C	AS	14.50	9/1/00	25.0	95.63	15.2
FIRST UNION	NY	10.25	'09	35.00	32.00	1093	102.50	10.0	32.80	28.13	GRUBE & ELL-B	PS	8.50	12/3/87	11.4	89.50	9.5
KOGER PROPS	NY	9.25	'03	20.00	29.75	672	86.00	10.8	25.58	24.50	GULFSTREAM-A	AS	14.25	6/15/95	30.0	99.00	14.4
LOM&NET FIN	NY	9.75	'08	109.35	24.25	4509	130.00	7.5	31.52	29.63	INST INVESTOR-B	OC	8.25	2/1/87	4.3	75.00	11.0
MASSMUTL M&R	NY	7.00	'00	6.55	20.00	327	81.00	8.6	16.20	16.00	INTEGRATED-B	AS	12.88	5/15/99	15.4	85.00	15.2
MASSMUTL MTG	NY	6.75	'90	2.76	21.00	131	83.00	8.1	17.43	16.00	INTEGRATED RES-B	NY	8.63	4/15/97	85.0	65.75	13.1
MASSMUTUAL M	NY	6.25	'91	6.00	33.50	179	65.00	9.6	21.77	16.00	KAUFMAN&BRD-C	NY	12.25	1/15/99	33.4	86.00	14.2
MONY MTG IN	NY	7.00	'90	4.70	11.00	427	78.00	9.0	8.58	7.88	MDC CORP-C	OC	7.00	4/15/93	55.0	63.00	11.1
NEW PLAN RLY	AS	9.75	'98	25.00	12.00	2083	107.00	9.1	12.84	11.88	MSA REALTY-C	AS	9.25	4/1/93	75.0	99.00	9.3
PENN REIT	AS	9.75	'03	35.00	25.50	1372	112.00	8.7	28.56	29.00	ORIOLE HOME-A	AS	12.63	6/1/97	20.0	80.00	15.8
PNB MTG	AS	6.75	'91	2.82	18.31	154	73.00	9.2	13.36	15.63	ORIOLE HOME-C	AS	12.88	7/15/00	25.0	85.00	15.2
PROPERTY CAP	OC	9.75	'08	40.00	38.00	1052	98.00	9.9	37.24	36.88	REALTY REFUND-A	NY	11.38	11/1/98	20.0	80.50	14.1
PULTE HOME	AS	8.50	'08	59.99	23.75	2525	85.13	10.0	20.21	15.38	REALTY REFUND-C	NY	12.00	5/15/98	15.0	81.00	14.8
PUNTA GORDA	AS	6.00	'92	14.00	19.50	717	59.00	10.2	11.50	6.63	SHI INVSTR-A	AS	14.00	11/1/87	9.9	98.50	14.2
REALTY INCOM	AS	8.00	'91	11.07	16.50	671	81.00	9.9	13.36	6.63	STD PACIFIC-C	NY	12.75	6/15/99	25.0	86.00	14.8
REIT AMER	AS	8.00	'93	46.08	50.00	921	77.00	10.4	38.50	30.50	TRECO-C	OC	6.75	9/1/91	5.3	58.00	11.6
RYAN HOMES	AS	6.00	'91	6.25	30.50	205	96.75	6.2	29.50	22.13	US HOME	NY	10.00	8/15/87	33.7	89.00	11.2
SAUL (BF) RL	OC	6.50	'91	23.17	23.00	1007	75.00	8.7	17.25	15.38	US HOME-A	NY	12.75	1/15/89	49.5	98.00	13.0
TRECO INC	OC	8.50	'98	4.07	1.62	2516	150.00	5.7	2.43	2.69							
TRI-SO INV	NY	7.00	'92F	5.81	29.50	197	61.00	11.5	17.99	6.00	DESCRIPTION: A-SENIOR; B-SENIOR SUBORDINATE; C-SUBORDINATE						
US HOME	NY	5.50	'96	4.71	11.98	393	71.00	7.7	8.50	6.13	OR JUNIOR SUBORDINATE. VJ-BANKRUPTCY REORGANIZATION.						
WASH CORP	OC	6.50	'91	10.66	23.28	458	58.00	11.2	13.50	2.50	DEF-IN DEFAULT. F-TRADES FLAT, WITHOUT ACCRUED INTEREST.						
WELLS FARGO	NY	12.00	'05	27.89	25.03	1114	102.00	11.8	25.53	23.88							

CONVERSION PARITY IS PRICE AT WHICH SHARES WOULD HAVE TO SELL TO JUSTIFY DEBENTURE PRICE. VJ=IN BANKRUPTCY REORGANIZATION. DEF=IN DEFAULT. F=TRADES FLAT, WITHOUT ACCRUED INTEREST. PH=PHILADELPHIA EXCHANGE. PS=PACIFIC EXCHANGE. *-CONVERTS INTO PREFERRED SHARES.

REALTY STOCK GROUP ACTION SUMMARY

GROUP NUMBER & NAME	DIV	NON-DIV	TOTAL	SHARE (000)	BOOK VALUE	ANN DIV	EARN ANN	LAST PRICE	-% CHNG SEP 18	FROM-- JAN 1	P/E RATIO	ANN YIELD	% PR TO BK	RETURN ON BK	MARKET VALUE
1 PROPERTY REITS	33	0	33	3575	12.45	1.34	1.16	18.23	1.4	5.3	15.8	7.4	146.4	9.3	2228.6
2 PROP & MTG COMB REITS	12	1	13	4178	13.76	1.71	2.29	18.72	0.0	0.8	8.2	9.1	136.0	16.6	1159.3
3 MORTGAGE REITS	12	1	13	5283	15.52	1.89	1.83	15.74	0.8	-4.9	8.4	12.0	101.4	12.1	1159.7
F FINITE-LIFE REITS	6	0	6	3289	11.97	1.03	0.80	13.06	-0.2	-10.2	16.3	7.9	109.1	6.7	255.4
4 MAJOR HOMEBUILDERS	8	2	10	13966	12.04	0.30	1.43	13.88	-2.1	-27.1	9.4	2.1	115.3	12.3	1720.9
5 OTHER BLDRS/DEVELOPERS	9	27	36	4805	6.72	0.07	0.62	8.16	-0.8	-8.0	13.1	0.8	121.4	9.2	1429.7
6 INCOME PROP BLDR/OWNR	12	14	26	8378	9.50	0.38	1.41	14.05	1.6	12.2	9.9	2.7	147.9	14.9	2289.4
7 MORTGAGE BANKER/FINANCE	7	7	14	10182	6.32	0.20	0.94	9.64	-2.3	-12.5	10.2	2.1	152.6	14.9	1861.5
8 DIVERSIFIED RLTY&HOLDING	10	8	18	10601	7.25	0.18	1.48	11.58	-2.0	8.1	7.8	1.6	159.8	20.4	1446.1
9 RLTY SVCS/SYNDICATOR	6	2	8	5712	6.03	0.10	1.08	9.46	-1.8	-20.9	8.8	1.1	155.5	17.7	424.5
10 MANUFACTURED HOUSING	4	5	9	12137	5.31	0.14	0.65	8.42	-6.6	-27.7	13.0	1.6	158.5	12.2	983.8
L LIQUIDATING COS			3	6350	6.28	13.83	2.04	10.63	3.7	32.1	5.2	130.2	169.1	32.5	98.6
OVERALL AVERAGE			189	6878	9.61	0.64	1.21	13.01	-0.2	-3.1	10.7	5.0	135.4	12.6	15057.5
DOW JONES INDUSTRIALS							102.07	1182.86	-3.5	-6.0	11.6	4.9			

NOTE: LIQUIDATING COMPANIES INCLUDED ONLY IN COMPANY AND MARKET VALUE AGGREGATES; NOT INCLUDED IN OVERALL AVERAGES.

REALTY STOCK RANKINGS

REALTY STOCK REVIEW has developed its exclusive Rankings of real estate stocks to indicate relative quality of historic track record for investors. Rankings from "A" to "E", shown in the third column from left in the statistical tables above, are assigned based upon our analysis of five-year earnings and dividend trends, financial strength and liquidity, and management record. Being historical, Rankings are not based upon current price and thus are not intended as recommendations.

An asterisk (*) denotes stocks which cannot be ranked because of insufficient (generally less than two years) operating history in present form or incomplete data. (Z) denotes entities which currently retain Audit or its investment banking affiliate, Campbell & Dillmeier, for specific assignments; and entities for which we are acting as non-retainer intermediary for a publicly announced proposed transaction during the transaction's pendency. (L) denotes liquidating entities, which are not ranked. Rankings and Buy-Sell-Hold advices given without regard to whether the entity subscribes to RSR. Stock prices of REITs tend to be less volatile than stocks of operating companies, hence generally are better suited for longer-term.

BUY - SELL - HOLD ADVICES

Buy - Sell - Hold advices are summarized in the first two left-hand columns in the statistical tables, as "B" = Buy; "H" = Hold; "S" = Sell or Avoid. When two advices are combined (e.g., "B/H"), accent is upon the first advice. Advices are reviewed each issue and advice changes are underlined. Advices are classed as Short-Term ("S/T") for holding less than one year; and Long-Term ("L/T") for one to three years. No advices are given during pendency of a proposed equity-type security offering, or during pendency of an assignment involving Audit or its investment banking affiliate (see "Z" left). Advices are given for most widely held and active stocks, but we cannot advise at all times on thinner, less active stocks. No advices are given for convertibles, warrants or preferreds, which depend upon underlying common.

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